

**STATE OF DELAWARE**  
**OFFICE OF**  
**AUDITOR OF ACCOUNTS**

**PEOPLE'S SETTLEMENT  
ASSOCIATION**

**MISUSE OF STATE FUNDS**

**SPECIAL INVESTIGATION**

**FIELDWORK END DATE: OCTOBER 31, 2008**

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State of Delaware  
Office of Auditor of Accounts  
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**At a Glance**

*Working Hard to Protect YOUR Tax Dollars*

**Why We Did This Review**

The Office of Auditor of Accounts (AOA) received several Hotline allegations regarding Peoples Settlement Association (PSA). This report specifically addresses the allegation that the Executive Director diverted State funds, which were earmarked for specific grants and programs, to unauthorized programs.

This report only addresses this specific allegation. The remaining allegations will be addressed in a separate report.

**Background**

PSA is a 501(c)(3) not for profit organization whose mission is to provide an array of comprehensive social service programs and to improve the quality of life for Wilmington residents. PSA is Wilmington's oldest social service agency, founded in 1901 by Sarah Webb Pyle, and is governed by a Board of Directors.

PSA receives various State grants, including Urban Health and Environmental Learning Project (U-HELP), Grant-In-Aid, Families and Centers Empowered Together (FACET), and Green Energy Green Savings. Total cash basis payments from the State directly to PSA during Fiscal Year 2008 (FY08) totaled \$329,886.58.

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**People's Settlement Association**

**MISUSE OF STATE FUNDS – SPECIAL INVESTIGATION**

**What We Found**

The scope of our investigation was a review of grant year 2008 activity for the following grants: U-HELP; FACET; Delaware Prevention Network (DPN); State of Delaware – Grant-In-Aid - Clinical Services; and State of Delaware – Grant-In-Aid – Senior.

Overall, we found the following issues at PSA:

- Poor grant management.
- Lack of management oversight.
- Lack of appropriate supporting documentation to support program activities and financial transactions related to the organization's grant programs.
- Several program deliverables stated in contract/grant agreements were not completed in accordance with terms of the agreements.
- Changes were made to the existing contract for the U-HELP grant without proper contract amendment, as required per terms of the original agreement.
- Several discrepancies were noted between amounts (including number of people served by programs) reported to the Division of Public Health for programs and the amounts supported by documentation provided by PSA during the course of the investigation.

Based on the results of our investigation, we concluded the following:

- PSA did not correctly bill the State and we noted instances where billing was not properly supported.
- PSA did not meet several program objectives and/or grant stipulations.
- PSA did not maintain adequate documentation to support whether or not grant stipulations were met for the period under review.

**What We Recommend**

Based on the results of our investigation, we recommend that PSA:

- Require adequate, detailed support for all transactions to support that program objectives and grant stipulations were met.
- Implement a management approval and review process.
- Comply with grant stipulations.
- Develop policies and procedures to ensure consistency in the intake process.
- Require a standard mechanism for tracking clients served and what services were provided.
- Perform a detailed review of its financial status to determine why outstanding amounts are due and if payment is able to be made to vendors that provided services to PSA.

If the above recommendations are not implemented, and if subsequent monitoring reports indicate continued noncompliance with grant stipulations, the State should consider discontinuing funding to PSA.

**Please read the complete report for a full list of findings/recommendations and to review People's Settlement Association's responses to our findings**

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# AUDIT AUTHORITY

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Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal and unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency, and economy; and
5. Such data, information, and recommendations as the Auditor of Accounts may deem advisable and necessary.

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# ALLEGATION AND BACKGROUND

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## **ALLEGATION**

The Office of Auditor of Accounts (AOA) received the following Hotline allegations regarding Peoples Settlement Association (PSA):

1. The Executive Director diverted State funds, which were earmarked for specific grants and programs to unauthorized programs.
2. The Executive Director acted outside of his authority and against PSA by-laws when he terminated PSA's Business Manager without the Board of Director's (Board) knowledge and approval.
3. PSA is having financial difficulty, to the point that it is unable to pay bills, including inability to pay State withholding taxes.
4. PSA has entered into questionable transactions regarding (a) purchasing and selling real estate, (b) payments to individuals, and (c) disbursement of funds.

This report addresses allegation #1. The remaining allegations will be addressed in a separate report. In addition, two State grants that fall under allegation #1, Green Energy Green Savings and Purchase of Care, will be addressed in the separate report.

## **BACKGROUND**

PSA is a 501(c)(3) not for profit organization whose mission is to provide an array of comprehensive social service programs and to improve the quality of life for Wilmington residents. PSA was founded in 1901 by Sarah Webb Pyle.

PSA is governed by a Board of Directors comprised of: Greer Peacock (President), Jeff Flowers (Treasurer), Nancy Willing (Secretary), Shelia Tucker, Karen Weldin Stewart, Russell Staten, and Samuel Latham.

PSA receives various State grants, including Urban Health and Environmental Learning Project (U-HELP), Grant-In Aid, Families and Centers Empowered Together (FACET), and Green Energy Green Savings. Total cash basis payments from the State directly to PSA during Fiscal Year 2008 (FY08) totaled \$329,886.58.

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# OBJECTIVES, SCOPE, & METHODOLOGY

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## **OBJECTIVES**

The objectives of this investigation were:

1. To determine if PSA correctly billed the State and if billings were properly supported; and
2. To determine if program objectives and grant stipulations were met by PSA and properly supported.

## **SCOPE**

The scope of this investigation was a review of grant year 2008 activity for the following grants:

U-HELP  
FACET  
Grant-In-Aid – Clinical Services  
Grant-In-Aid – Senior  
Delaware Prevention Network (DPN)

The investigation was performed in accordance with the President’s Council on Integrity and Efficiency, *Quality Standards for Investigations*.

## **METHODOLOGY**

The investigative approach included:

- Interview and inquiry.
- Inspection and confirmation of documentation.
- Observation.

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# CONCLUSIONS

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## Urban Health & Environmental Learning Project (U-HELP)

AOA reviewed 100% of the expenses charged to the State under the contract for services for the U-HELP program for the period July 1, 2007 through June 30, 2008.

The Health Fund Advisory Council awarded PSA \$50,000 from the State of Delaware share of the Tobacco Lawsuit Settlement funds. The Division of Health and Social Services, Department of Public Health administers those funds.

The AOA found that several of the program deliverables as stated in the contract were not completed. The following chart summarizes each deliverable and if PSA met their contracted obligation to provide those services:

<b>Contracted Activity</b>	<b>Outcome Measure per Contract</b>	<b>Outcome Measurement Realized</b>
<u>Community Forums/Education Sessions</u>	Hold seven forums over the contract period. Per the contract PSA must provide attendance sheets and pre and post-tests.	PSA could provide sign-in sheets for only four of the required seven forums/education sessions. No pre or post-test documentation was provided. PSA reported to the Department of Public Health that all seven were completed.
<u>Health Fairs</u>	Hold Health Fairs for 200 residents of the Southbridge and East Wilmington communities. Per contract terms, PSA must provide questionnaires for each participant.	No documentation was provided that supported that any of the Health Fairs were held. No questionnaires were provided. At one point during fieldwork, the Executive Director stated that there was no Health Fairs held, but reported to the Division of Public Health that one was completed in the last month of the contract.
<u>Aerobics Classes</u>	At least 75 residents of the community over the contract year. Per the contract PSA must provide self-assessment surveys.	An attendance book was provided that contained at least 75 of the required participants for the contract year, however no self-assessment survey documentation was provided.

# CONCLUSIONS

Contracted Activity	Outcome Measure per Contract	Outcome Measurement Realized
<u>Marketing</u>	Provide health related educational information to 20,000 households in the community.	AOA was provided with documentation on health related topics that were discussed on a monthly television program on the local TV station and reviewed the U-HELP website. However, based on documentation reviewed, we are unable to determine the number of households that were reached.
<u>Quit Smoking Program</u>	Provide two education workshops for residents of the community. Per contract terms, PSA must provide self-assessment surveys and questionnaires.	No documentation was provided that supported that the two workshops were completed. The Executive Director stated to the AOA that the workshops were not completed; however, PSA reported to the Division of Public Health that two workshops were completed.
<u>Life Skills</u>	Provide Life Skills education to 60 youth over the contract period. Per contract terms, PSA must provide pre and post-tests for each youth in the program.	No documentation was provided that supported that the education was provided. The Executive Director had stated to the AOA that the education was not provided. No life skills education reporting was given to the Division of Public Health.
<u>Youth Beautification Project</u>	Provide 15-20 youth workers from the area to perform 60 hours of volunteer in order to help beautify the community. Per the contract the hours were to be logged for each youth participating.	No logs were provided that listed who participated and how many hours each volunteer logged. The Executive Director stated to the AOA that this component was not completed; however, PSA reported to the Division of Public Health that 73 youth participated for a total of 56 volunteer hours.



# CONCLUSIONS

Contracted Activity	Outcome Measure per Contract	Outcome Measurement Realized
<u>Health Screenings</u>	Provide budget health screenings for 1,000 residents of the community through a subcontractor for a budgeted amount of \$9,000. The screens were for blood pressure, flu shots, diabetes, asthma, lead and HIV/drug counseling and testing. The budget of \$9,000 was for 1,000 residents at \$9 per screen.	<p>Based on review of invoices, the total paid to the subcontractor was \$5,400. Using the \$9 per screen rate as detailed in the contract, this equates to 600 persons who received health screens. No documentation was provided on who received the screenings, when the screenings were performed, or what type of screen was done.</p> <p>PSA reported to the Division of Public Health that there were 1,205 health screen participants. There is no supporting documentation to verify 605, or 50%, of the total health screens reported to the Division of Public Health.</p>
<u>Weight Management</u>	Provide 42 hours of class time for weight management education for members of the community. Per the contract, PSA was required to perform pre and post-test surveys and periodic weigh-ins.	No pre and post-test documentation was provided nor was there any documentation provided for the periodic weigh-ins. The Executive Director had stated to the AOA that none of the class time was conducted. However, PSA reported to the Division of Public Health that they had conducted 17 weight management classes for 130 participants.
<u>Asthma, Arsenic and Lead Education</u>	Provide education to 50 households in the community. Per the contract, PSA was required to document each household that the education was provided and conduct pre and post-test surveys.	No documentation was provided that would support the number of households that were given the education nor were there any pre or post-test surveys. The Executive Director stated to the AOA that this was not done. The data on this program was not reported to the Division of Public Health even though it was a required deliverable per the contract.

# CONCLUSIONS

Contracted Activity	Outcome Measure per Contract	Outcome Measurement Realized
<u>Website</u>	Provide a website that the residents could access to receive health related information. The measure for this component was an average of 1,500 hits per month.	AOA was provided statistics that supported an average of 1,500 hits per month on the website.
<u>Partnerships/ Collaborations</u>	Develop 10-15 new partnerships with organizations throughout the contract year. Per the contract PSA was required to track the number of new partnerships they developed over the contract year and to track what events they worked at along with PSA.	AOA was provided with documentation for 16 partners; however the documentation was not dated. Therefore, the AOA could not determine if this documentation represented new partnerships. Also, no documentation was provided that said what events the new partners participated in.
<u>Develop Youth Environmental Summer Activities</u>	Develop and provide 20-40 youth between the ages of 8-13 years old education on environmental issues to increase their knowledge base and to increase their concern about environmental issues.	No supporting documentation was provided that supported the number of youth that participated in this program. The Executive Director stated to the AOA that this program was not completed.
<u>Environmental Resource Coloring Book</u>	Teach 14 teachers and aides how to use the coloring book for use in their classes. Per the contract PSA was required to track the names of the teachers taught, provide self-assessments for each participant, and to document each education session.	No supporting documentation was provided that supported the number of teachers taught nor were the self-assessments provided to the AOA. The Executive Director stated to the AOA that this component was not completed; however, PSA reported to the Division of Public Health that 6 education sessions were held for 48 teachers/aides.

# CONCLUSIONS

The AOA also found that although the total contract price of \$50,000 was not changed, individual expense line items were adjusted without issuing a contract amendment and having it executed by all parties as required by the contract. The following table summarizes the changes that were made to the original contract budget:

<b>Expense Item</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Variance</b>
Project Manager Salary	\$ 16,800	\$ 19,735	\$ 2,935
Community Outreach Coordinator	6,000	6,775	775
Aerobics Instructor Salary	6,000	5,500	(500)
Outreach Health Screenings	9,000	5,400	(3,600)
Youth Council Activities	600	44	(556)
Food	850	185	(665)
Office Supplies	300	276	(24)
Child Care and Transportation	300	866	566
Printing	300	-	(300)
Advertising	2,100	4,550	2,450
Merchandise/Incentives	500	972	472
Trainings/Confs/Health Fairs	1,000	-	(1,000)
U-HELP Website	750	659	(91)
Administrative (clerical, phones, etc.)	5,500	5,038	(462)
<b>TOTAL</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ -</b>

Overall, the AOA noted that several of the program components were not delivered in accordance with contract terms. In addition, we also noted that the contract amendment executed between the Division of Public Health and PSA was not approved by all parties as required per terms of the original contract.

We further noted that PSA did not have appropriate supporting documentation (e.g. invoices and receipts) for four (4) transactions totaling \$145.27. As a result, AOA was unable to determine if disbursements were for the benefit of the U-HELP program.

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# CONCLUSIONS

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## **Delaware Prevention Network (DPN)**

The Department of Services for Children, Youth and Their Families (DSCYF) administers the DPN grant. The grant funds are distributed to Edgemoor Senior Center who then disburses the funds to various centers including PSA. PSA's share of the FY08 grant funds was \$44,800 of which \$34,914.69 was used by PSA. Grant funds are to be used to provide education to youths on the dangers of the use of drugs and alcohol. Per review of expenditure transactions, AOA found:

- PSA did not have support (e.g. invoices and receipts) for 3 transactions totaling \$1,094.76. Hence, AOA was unable to determine if the expenditures were allowable under the grant.
- PSA was unable to provide required attendance logs and sign-in sheets for education cycles. Hence, AOA is unable to determine if the program objectives were met.

## **Families and Centers Empowered Together (FACET) Program**

FACET is a grant administered by DSCYF. The goal of the grant is to increase protective and resiliency factors in high-risk families, reducing the likelihood that they (a) use alcohol and other drugs, (b) abuse and neglect their children, and (c) are involved in violence and delinquency. The initial FY08 grant award was \$40,802.

AOA (a) reviewed detail for billings to the State that totaled \$39,773.99, (b) reviewed PSA's support regarding attendance and program objectives, (c) interviewed PSA's Executive Director, and (d) interviewed and reviewed documentation maintained by DSCYF:

- Three transactions totaling \$192 were not supported by a receipt, invoice, etc.
- Three transactions totaling \$211 were not supported by meeting agendas, minutes, attendance sheets, etc.
- Unemployment compensation, pension, and workmen's compensation were over-billed by \$123.20.
- PSA billed \$500 of telephone charges to the State; however, no support was maintained to substantiate actual telephone costs and the allocation percentage charged to the FACET grant.
- AOA identified a difference in the grant amount and the billed amount of \$1,028. The Executive Director indicated that PSA did not bill the State for this amount. Upon request, DSCYF provided AOA with a bill from PSA for the \$1,028 amount and also informed AOA that PSA was on a corrective action plan for the following reasons:
  - PSA did not adhere to the Fidelity of the FACET Program.
  - PSA's Executive Director made decisions for the parent council, deciding what activities were better for the parents and deciding who could attend activities. These functions were to be performed by the participants.
  - PSA did not follow the Contract as it related to the Early Care Center Director, the FACET Coordinator role, parents as decision makers, and use of the Lending Library.
  - PSA was operating under a provisional license.
  - PSA did not participate in the opportunities offered by FACET to improve the quality of its Early Care Center through training and technical assistance.

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# CONCLUSIONS

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- PSA did not inform the Office of Prevention and Early Intervention (OPEI) in the past year in writing or in any other way of the provisional license their Early Care and Education Center had with the Office of Child Care Licensing.
  - PSA did not communicate that the previous Coordinator was terminated.
- As a result of the above findings, DSCYF placed PSA on a corrective action plan, extended the FY08 grant period from June 30, 2008 to December 31, 2008, and increased the grant funding from \$40,802 to \$55,606. DSCYF plans to reevaluate PSA at the end of the grant period to determine if funding should be continued.
- PSA's Executive Director did not inform AOA of the findings in the monitoring report, the corrective action plan, the grant extension, or the increase in funding for the FY08 grant.

## **Clinical Services Grant-In-Aid (CSGIA)**

CLGIA is a program designed to address the needs of chemically dependent individuals and their families through counseling, treatment, residential treatment referrals, support groups, and aftercare. Under this grant, PSA is also responsible for providing continued social service assistance and placement to clients. The State of Delaware Office of the Controller General awarded \$43,800 CSGIA in FY08 to PSA.

AOA found the following:

- PSA documents services provided to the community through an intake process. Intakes are completed manually on an intake form or electronically through Point of Service, a web based program. Per the Executive Director, some of the intake forms were entered into Point of Service, while others were not entered. The two systems do not provide a standard mechanism for accurately tracking the clients served. In addition, the systems only provide documentation of clients that are seen. Neither the handwritten nor electronic forms provide documentation to support what services were provided to the clients.
- PSA does not have written policies and procedures in place to ensure intakes are processed correctly and efficiently or to ensure eligibility of clients. The Executive Director indicated that employees inquire of other staff as to eligibility and other program requirements. There is no standard operating manual or policy to ensure consistency in providing services to clients and to ensure that program and eligibility requirements are met.
- AOA determined there was inconsistent documentation to substantiate clients' eligibility. In some instances there was documentation regarding proof of income, public assistance, and/or residence; however, in other instances there was no documentation regarding eligibility.
- PSA provides the use of its facility for Narcotics Anonymous meetings that are held every Sunday at 12 p.m. PSA was unable to provide documentation supporting the number of individuals served at these meetings.
- As part of the grant application, PSA is required to submit its most recent audit or self-prepared financials annually. AOA noted PSA's most recent audit was completed for the year ending December 2006. Per the Executive Director, the CPA firm was waiting to start its audit work until AOA completed this investigation. However, upon discussion with the CPA firm and per review of PSA's accounts payable listing, AOA discovered that PSA has not paid the CPA firm for the 2006 audit. Hence, the CPA firm will not perform any additional auditing services until the 2006 audit fee has been paid in full. The outstanding amount due to the CPA firm for the

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# CONCLUSIONS

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2006 audit is \$11,940.27 (source: PSA general ledger trial balance, run as of September 23, 2008).

- Per the Office of the Controller General, they provide no oversight of the CSGIA program to ensure State funds are used as intended. Oversight is only provided if the Office of the Controller General is notified of misuse (e.g. through the media, AOA, state legislators, etc.).
- Per review of the FY08 and FY09 Grant-In-Aid applications, AOA found discrepancies in the numbers reported (e.g. numbers did not agree from one year to the next). In addition, the Executive Director was unable to provide support for the number of people served as reported in the FY09 application.

## FY08 Grant-In-Aid application

	Previous Year 2006	Current Year 2007	Proposed Year 2008
No. of People Served	360	370	400
Program Revenue	\$64,745	\$39,205	\$60,000
Program Disbursement	\$75,295	\$50,034	\$60,000
Program Grant-In-Aid	\$42,436	\$32,850	\$70,000

## FY09 Grant-In-Aid application

	Previous Year 2007	Current Year 2008	Proposed Year 2009
No. of People Served	420	460	530
Program Revenue	\$59,000	\$55,000	\$70,000
Program Disbursement	\$70,000	\$59,300	\$70,000
Program Grant-In-Aid	\$43,118	\$32,850	\$70,000

Due to the aforementioned issues, AOA is unable to conclude that CSGIA funds were used properly.

## Senior Center Grant-In-Aid (SCGIA)

PSA's Senior Center is partially funded by membership dues paid by participants and partially funded by State Grant-In-Aid. The program offers seniors in the community a sense of belonging and decreases their feelings of isolation. PSA provides transportation for seniors who would otherwise be homebound. The State of Delaware Office of the Controller General awarded \$85,186 SCGIA in FY08 to PSA. AOA found the following:

- As part of the grant application, PSA is required to submit its most recent audit or self-prepared financials annually. AOA noted PSA's most recent audit was completed for the year ending December 2006. Per the Executive Director, the CPA firm was waiting to start its audit work until AOA completed this investigation. However, upon discussion with the CPA firm and per review of PSA's accounts payable listing, AOA discovered that PSA has not paid the CPA firm for the 2006 audit. Hence, the CPA firm will not perform any additional auditing services until the 2006 audit fee has been paid in full. The outstanding amount due to the CPA firm for the

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# CONCLUSIONS

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2006 audit is \$11,940.27 (*source: PSA general ledger trial balance, run as of September 23, 2008*).

- Per the Office of the Controller General, they provide no oversight of the CSGIA program to ensure State funds are used as intended. Oversight is only provided if the Office of the Controller General is notified of misuse (e.g. through the media, AOA, state legislators, etc.).
- Membership at the Senior Center is open to any member of the community who is willing or able to pay the membership fees.
- Per review of sign-in sheets for the month of March 2008, interviews with the Senior Center Director, and observation of the programs offered, AOA concludes that PSA is providing services in accordance with the grant stipulations.

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# FINDINGS AND RECOMMENDATIONS

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**Rather than limiting its response to the recommendations listing in the Findings and Recommendations section of this report, PSA chose to comment on virtually every conclusion, condition, and recommendation in the report. Please see Appendix A for PSA's responses to this report as well as AOA's comments.**

## **Finding #1- U-HELP Program**

### ***Criteria***

DPH Contract #08-032 between PSA and the Department of Health and Social Services for Fiscal Year 2008.

### ***Condition***

Per AOA's review of the documentation supporting the program deliverables and through interviews with the Executive Director and the U-HELP program director the following issues were identified:

- Not all of the program deliverables were completed.
- The Budget for the program was altered without an approved amendment signed by all of the parties subject to the original contract.
- Per the revised unapproved budget, funds that should have been used for programs were diverted to higher salaries, advertising, and merchandise/incentives.
- Through interviews with the Division of Public Health, an audit was performed in January 2008 and was found to be satisfactory. However, the audit report cited that "out of the 25 individual measures, 12 are currently at the 50% or above of being accomplished. The remaining 13 criteria are off the mark, with 10 items at the 0% accomplished level." The audit also states "Health screening participants goal listed was 300, but the contract budget number of participants agreed upon was 1000." "Sign in sheets with participants names, date and description of program should be on file for all programs delivered." The contract administrator told AOA that PSA could not provide them with documentation that supported the programs just as PSA could not provide AOA with the documentation.
- Based on review of invoices, the total paid to Tau Eta Sorority for health screenings was \$5,400. Using the \$9 per screen rate as detailed in the contract, this equates to 600 persons who received health screens. No documentation was provided on who received the screenings, when the screenings were performed, or what type of screen was done. PSA reported to the Division of Public Health that there were 1,205 health screen participants. There is no supporting documentation to verify 605, or 50%, of the total health screens reported to the Division of Public Health.

### ***Cause***

Weak controls, including a lack of management oversight and review as well as a lack of oversight by contract administrators at the Department of Health and Social Services, Division of Public Health.

### ***Effect***

PSA did not provide all of the program components that were required by the contract. Because program objectives were not met, the result is wasteful spending of State of Delaware Tobacco Settlement funds that could have been spent on more effective programs with other vendors/organizations.



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# FINDINGS AND RECOMMENDATIONS

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## ***Auditor Comment***

The U-HELP contract was not renewed and PSA was not funded for this program for the current fiscal year, no recommendation required.

## **Finding #2 – DPN Program**

### ***Criteria***

*Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) states, "Monitoring ensures that internal control continues to operate effectively. This process involves assessment by appropriate personnel of the design and operation of controls on a suitably timely basis, and the taking of necessary actions . . . Ongoing monitoring procedures are built in to the normal, recurring operating activities of an entity . . . They include regular management and supervisory activities, comparisons, reconciliations and other routine actions."

In addition, the *Internal Control - Integrated Framework* defines control activities as policies and procedures that help ensure management directives are carried out. Control activities occur throughout an organization, at all levels and functions, and include a wide range of activities, such as authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. To ensure control activities meet the objectives of management, supporting documentation for all such activities should be referred to or maintained with the financial documents.

Good accounting policies require that transactions be supported by adequate documentation. This allows for review of transactions for allow ability and support for each transaction of PSA.

### ***Condition***

Per AOA's review of disbursements for the DPN program for the period of July 1, 2007 through June 30, 2008, the following issues were identified:

- PSA did not have support (e.g. invoices and receipts) for three (3) transactions totaling \$1,094.76. In addition, AOA was unable to determine disbursements were for the benefit of the DPN program.
- The DPN program coordinator did not retain attendance logs of all the participants in the All Stars education cycles.

### ***Cause***

Weak controls, including a lack of management approval and review, contributed to the lack of supported transactions.

### ***Effect***

Lack of adequate documentation raises questions about the validity of transactions and increases the possibility that unauthorized transactions may occur. Incorrect recording of information may cause records to be inaccurate or not useful.

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# FINDINGS AND RECOMMENDATIONS

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## ***Recommendation***

PSA should:

- Require adequate, detailed support for all transactions.
- Implement a management approval and review process.

## **Finding #3 – FACET Program**

### ***Criteria***

*Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) states, "Monitoring ensures that internal control continues to operate effectively. This process involves assessment by appropriate personnel of the design and operation of controls on a suitably timely basis, and the taking of necessary actions . . . Ongoing monitoring procedures are built in to the normal, recurring operating activities of an entity . . . They include regular management and supervisory activities, comparisons, reconciliations and other routine actions."

In addition, the *Internal Control - Integrated Framework* defines control activities as policies and procedures that help ensure management directives are carried out. Control activities occur throughout an organization, at all levels and functions, and include a wide range of activities, such as authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. To ensure control activities meet the objectives of management, supporting documentation for all such activities should be referred to or maintained with the financial documents.

Good accounting policies require that transactions be supported by adequate documentation. This allows for review of transactions for allow ability and support for each transaction of PSA.

### ***Condition***

Per AOA's review of disbursements for the FACET program for the period of July 1, 2007 through June 30, 2008, the following issues were identified:

- Three (3) transactions totaling \$192 were not supported by a receipt, invoice, etc.
- Three (3) transactions totaling \$221 were not supported by meeting agendas, minutes, attendance sheets, etc.
- Unemployment compensation, pension, and workers compensation were over-billed by \$123.20.
- PSA billed \$500 in telephone charges to the State of Delaware; however, no supporting documentation was maintained to substantiate actual telephone costs or the allocation percentage charged to the FACET grant.
- PSA was placed on a corrective action plan by DSCYF for non-compliance with grant stipulations.
- PSA's Executive Director did not inform AOA of the findings in the monitoring report, the corrective action plan, the grant extension, or the increase in funding for the FY08 grant.

### ***Cause***

Weak controls, including a lack of management approval and review, contributed to the lack of supported transactions. The Executive Director's lack of knowledge and/or willing intent to withhold information resulted in discrepancies in the information presented.

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# FINDINGS AND RECOMMENDATIONS

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## ***Effect***

Lack of adequate documentation raises questions about the validity of transactions and increases the possibility that unauthorized transactions may occur. Incorrect recording of information may cause records to be inaccurate or not useful. Incorrect information, noncompliance with grant stipulations, and a general lack of knowledge and/or willing intent to withhold information or deceive may result in a loss of State funding.

## ***Recommendation***

PSA should:

- Require adequate, detailed support for all transactions.
- Implement a management approval and review process.
- Comply with grant stipulations.

If the above recommendations are not implemented, and if subsequent monitoring reports indicate continued noncompliance with grant stipulations, the State should consider discontinuing funding to PSA.

## **Finding #4 – Clinical Services Grant-In-Aid**

### ***Criteria***

*Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) states, "Monitoring ensures that internal control continues to operate effectively. This process involves assessment by appropriate personnel of the design and operation of controls on a suitably timely basis, and the taking of necessary actions . . . Ongoing monitoring procedures are built in to the normal, recurring operating activities of an entity . . . They include regular management and supervisory activities, comparisons, reconciliations and other routine actions."

In addition, the *Internal Control - Integrated Framework* defines control activities as policies and procedures that help ensure management directives are carried out. Control activities occur throughout an organization, at all levels and functions, and include a wide range of activities, such as authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. To ensure control activities meet the objectives of management, supporting documentation for all such activities should be referred to or maintained with the financial documents.

Good accounting policies require that transactions be supported by adequate documentation. This allows for review of transactions for allow ability and support for each transaction of PSA.

### ***Condition***

Per AOA's review of disbursements for Clinical Services Grant-In-Aid for the period of July 1, 2007 through June 30, 2008, the following issues were identified:

- PSA's intake process does not provide a standard mechanism for accurately tracking the number of clients served or what services were provided to the clients.
- PSA does not have written policies and procedures to ensure intakes are processed consistently, correctly, and efficiently or to ensure eligibility of clients.
- PSA did not maintain consistent documentation to prove clients' eligibility.

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# FINDINGS AND RECOMMENDATIONS

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- PSA has not paid the CPA firm that was contracted to perform its financial statement audits for 2006. Outstanding fees due to the firm total \$11,940.27. The Executive Director provided incorrect information regarding the status of audits to the AOA.
- Discrepancies and unsupported amounts were identified in grant applications.
- The Office of the Controller General provides minimal oversight of the grant program.

## *Cause*

Weak controls, including a lack of management approval and review, contributed to the lack of supported transactions. The Executive Director's lack of knowledge and/or willing intent to withhold information resulted in discrepancies in the information presented.

## *Effect*

Lack of adequate documentation raises questions about the validity of transactions and increases the possibility that unauthorized transactions may occur. Incorrect recording of information may cause records to be inaccurate or not useful. Lack of support raises serious concerns as to whether program objectives were met. All issues may result in discontinued State funding.

## *Recommendation*

PSA should:

- Maintain detailed documentation that supports that program objectives were met and that complied with grant stipulations.
- Implement a management approval and review process.
- Develop policies and procedures to ensure consistency in the intake process.
- Require a standard mechanism for tracking clients served and what services were provided.
- Perform a detailed review of its financial status to determine why outstanding amounts are due and if payment is able to be made to vendors that provided services to PSA.

The Office of the Controller General should:

- Provide oversight of grants.
- Due to lack of documentation and discrepancies in the applications, consider discontinuing State funding to PSA.

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# DISTRIBUTION OF REPORT

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Copies of this report have been distributed to the following public officials:

Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware

Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General

Other

Board of Directors, People's Settlement Association

# APPENDIX A

Rather than limiting its response to the recommendations listed in the Findings and Recommendations section of this report, PSA chose to comment on virtually every conclusion, condition, and recommendation in the report. For ease of understanding (a) the issues identified by AOA, (b) PSA's responses, and (c) AOA's commentary on PSA's responses, AOA has organized the information in the following pages.

Urban Health and Environmental Learning Project (U-HELP)	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
Community Forums: PSA could provide sign-in sheets for only four of the required seven forums/education sessions. No pre or post-test documentation was provided. PSA reported to the Division of Public Health (DPH) that all seven were completed.	We dispute the statement that "PSA could provide sign-in sheets for only four of the required seven forums/education sessions." Enclosed are three additional workshops conducted with sign-in sheets. We agree with the statement, "No pre-test or post-test documentation was provided." In the outcome indicators and as per the Contract with Public Health, PSA has the opportunity and option to determine which indicators it would like to use; in this case PSA elected not to use pre or post testing.
<p><b>Auditor's Comment:</b> AOA conducted fieldwork from 8/25/08 through 10/31/08. During this time, there were numerous requests for documentation related to U-Help. The missing documentation noted by AOA was requested from PSA yet never provided. No further detail regarding the transactions in question will be accepted by AOA due to the length of the time between the initial request and the current date due to the chance of falsification of records. AOA questions if PSA did in fact maintain adequate and detailed support, why PSA was unable to provide that documentation during the time that AOA was in the field (from 8/25/08 through 10/31/08).</p> <p>Contract number 08-032 between DPH and PSA, page 18, Outcome-Based Evaluation Plan states that outcome indicators are, "pre/post test" and "attendance sheet." There is no language in the contract that states that PSA "has the opportunity to determine which indicators it would like to use." The pre/post tests would assist PSA in knowing how effective the forums/education sessions are for future benefit of the program.</p>	

# APPENDIX A

AOA's Conclusions, Findings, and Recommendations	PSA's Response
<p>Health Fairs: No documentation was provided that supported that any of the Health Fairs were held. No questionnaires were provided. At one point during fieldwork, the Executive Director stated that no Health Fairs were held, but reported to DPH that one was completed in the last month of the contract.</p>	<p>What PSA disclosed was that staff attended a collaborative event where the targeted number (200) of participants received/interacted with UHELP Health Fair information. For clarity, PSA activities are permitted and encouraged to be held elsewhere in fulfilling the aspirations of partnerships and collaborations. The PSA's Executive Director indicated to the AOA "that there were no Health Fairs held" at PSA this year which is supported by the fact that it is not in the budget. Exhibit B references the non-funded event where UHELP staff set up an informational booth/table on June 21<sup>st</sup>, 2008.</p>
<p><b>Auditor's Comment:</b> AOA conducted fieldwork from 8/25/08 through 10/31/08. During this time there were numerous requests for documentation related to U-Help. Documentation to support attendance/participation in a Health Fair was not provided by PSA during the two months that AOA was conducting fieldwork.</p> <p>PSA refers to Exhibit B in its response. Exhibit B was provided to AOA on 11/25/08. Exhibit B consists of various forms/documents related to a Juneteenth Celebration. One form referred to this as the 13<sup>th</sup> Annual Juneteenth Jubilee Celebration while another form referred to this as the 14<sup>th</sup> Annual Juneteenth Celebration. AOA noted that the Chairperson for the Celebration is also PSA's Program Director for the U-Help program. Hence, this individual should have had the documentation both in her role as PSA's U-Help Program Director and as the Festival Chair. AOA questions why Exhibit B was not provided during the two months that AOA was conducting fieldwork. No further detail regarding the Health Fair will be accepted by AOA due to the length of the time between the initial request and the date of receipt due to the chance of falsification of records.</p>	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
<p>Aerobics Classes: An attendance book was provided that contained at least 75 of the required participants for the contract year, however no self-assessment survey documentation was provided.</p>	<p>PSA maintains that, to the Executive Director's knowledge, no request was received for the documentation. Please review self-assessment survey documentations.</p>
<p><b>Auditor's Comment:</b> AOA conducted fieldwork from 8/25/08 through 10/31/08. During this time, there were numerous requests for documentation related to U-Help. Requests were made to both the Executive Director and the U-Help Program Director. Self-assessment survey documentation was not provided by PSA during the two months that AOA was conducting fieldwork.</p> <p>PSA responded to AOA's report on 11/25/08 and provided copies of forms that were supposed to represent valid self-assessment surveys. AOA does not accept this documentation due to the length of time between the initial request for the documentation and the date it was actually</p>	

# APPENDIX A

received. Furthermore, the assessment forms are generic forms that only require that the participant circle answers to questions. The forms are easy to falsify. AOA questions if PSA did in fact maintain adequate and detailed support, why PSA was unable to provide that documentation during the time that AOA was in the field.

AOA's Conclusions, Findings, and Recommendations	PSA's Response
Marketing: AOA was provided with documentation on health related topics that were discussed on a monthly television program on the local TV station and reviewed the U-HELP website. However, based on documentation reviewed, AOA was unable to determine the number of households that were reached.	PSA maintains that, to the Executive Director's knowledge, no request was received for the documentation. Presented is documentation collected from Comcast on household viewership.
<p><b>Auditor's Comment:</b> During the period of 8/25/08 through 10/31/08, AOA made numerous requests for documentation related to U-Help. PSA did not provide the requested documentation during that time. During the grant period, PSA submitted reports to DHSS that detailed, by month, the number of households reached through marketing efforts. AOA requested documentation to support the numbers that were reported to DHSS.</p> <p>On 11/25/08, PSA provided AOA with a form from Comcast that detailed rates for Channel 28 and indicated there are 155,388 subscribers for the channel. This documentation does not support or agree to the monthly numbers that were reported to DHSS. Monthly numbers reported to DHSS ranged from 200 to 1,672 households reached per month. PSA has yet to provide detail to support the numbers reported to DHSS.</p>	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
Quit Smoking Program: No documentation was provided that supported that the two workshops were completed. The Executive Director stated to the AOA that the workshops were not completed; however, PSA reported to the Division of Public Health that two workshops were completed.	PSA did complete two workshops during the year. Attached are sign-in sheets and supporting information that was disseminated in the workshops. We strongly request that this statement, "The Executive Director stated to the AOA that the workshops were not completed," be retracted because PSA's Executive Director did not make this statement for the record and had no formal interview on the matter.
<p><b>Auditor's Comments:</b> During the period of 8/25/08 through 10/31/08, AOA made numerous requests for documentation related to U-Help. PSA did not provide the requested documentation during that time. Both a State Auditor III and State Auditor II were present when the Executive Director was questioned regarding this matter. The sign-in sheets provided by PSA on 11/25/08 are copies that are easy to falsify. AOA does not accept this documentation due to the length of time between the initial request for the documentation and the date it was actually received as well as the ease with which the documentation could be falsified. AOA questions if the support was valid and properly maintained by PSA, why PSA could not produce the support during the two months that AOA conducted fieldwork.</p>	



# APPENDIX A

AOA's Conclusions, Findings, and Recommendations	PSA's Response
<p>Life Skills: No documentation was provided that supported that the education was provided. The Executive Director had stated to the AOA that the education was not provided. No life skills education reporting was given to the Division of Public Health.</p>	<p>We maintain that the budget was amended, as agreed upon by the Division of Public Health to exclude the funds for this contracted activity. Therefore, no supporting documentation for the education would be provided. The CART statistical data shows no reporting numbers for this activity. Enclosed is an email from DPH that demonstrates this agreement for the Contract's Budget amendment. We will refer to this justification for all Youth Council deliverables (Life Skills, Youth Beatification Project, Youth Environmental Summer Activities etc.) as having been stricken from the Contract.</p>
<p><b>Auditor's Comments:</b> DPH and PSA entered into agreement under Contract Number 08-032. Section B, Administrative Requirements #14 states, "This Contract shall not be altered, changed, modified or amended except by written consent of all Parties to the Contract." Page 20 of the contract lists Life Skills as an activity to be performed under the contract. The email provided by PSA to support the removal of the Life Skills Education states, "Your revised budget for UHELP FY2008 attached is approved, total not to exceed \$50,000." PSA did not provide a copy of the revised budget. The email to PSA was not in accordance with the aforementioned contract provisions and does not support PSA's decision to not provide the Life Skills activities.</p>	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
<p>Youth Beautification Project: No logs were provided that listed who participated and how many hours each volunteer logged. The Executive Director stated to the AOA that this component was not completed; however, PSA reported to the Division of Public Health that 73 youth participated for a total of 56 volunteer hours.</p>	<p>We maintain that the budget was amended to exclude the funds for this contracted activity, therefore no supporting documentation for the program would be provided. We currently have no point of reference as to where the reporting numbers are reflected. The CART statistical data shows no reporting numbers for this activity. Enclosed is an email from DPH that demonstrates this agreement for the Contract's Budget amendment. We will refer to this justification for all Youth Council deliverables (Life Skills, Youth Beatification Project, Youth Environmental Summer Activities, etc.) as having been stricken from the Contract.</p>

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**Auditor's Comments:** AOA corrects its conclusion to read as follows: "The Youth Beautification Project activity was not completed. The Contract between DPH and PSA required the participation of 73 youth and 56 volunteer hours for the Youth Beautification Project. Nothing was completed for this project."

DPH and PSA entered into agreement under Contract Number 08-032. Section B, Administrative Requirements #14 states, "This Contract shall not be altered, changed, modified or amended except by written consent of all Parties to the Contract." Page 20 of the contract lists Life Skills as an activity to be performed under the contract. The email provided by PSA to support the removal of the Life Skills Education states, "Your revised budget for UHELP FY2008 attached is approved, total not to exceed \$50,000." PSA did not provide a copy of the revised budget. The email to PSA was not in accordance with the aforementioned contract provisions and does not support PSA's decision to not provide the Youth Beautification Project.

AOA's Conclusions, Findings, and Recommendations	PSA's Response
<p>Health Screenings: Based on review of invoices, the total paid to the subcontractor was \$5,400. Using the \$9 per screen rate as detailed in the contract, this equates to 600 persons who received health screens. No documentation was provided on who received the screenings, when the screenings were performed, or what type of screen was done.</p> <p>PSA reported to the Division of Public health that there were 1,205 health screen participants. There is no supporting documentation to verify 605, or 50%, of the total health screens reported to the Division of Public Health.</p>	<p>We agree that PSA reported to the Division of Public Health that there were 1,205 health screen participants. We are very proud that the use of the funds that the State provided for these health screenings resulted in the participation of more than twice the number of citizens than had been expected. We understand that, based on HIPPA laws, the subcontractor is not permitted to divulge names or sign-ins as supporting documentation to PSA (only numbers).</p>

**Auditor's Comments:** PSA's response does not address the issue noted by AOA: the fact that PSA did not provide support for the number of Health Screenings reported to DPH. Contract 08-032, Budget Narrative, Section I targets 1,000 people at \$9 per health screening for a total budgeted cost of \$9,000. PSA reported 1,205 participants to DPH. AOA requested detail to support that 1,205 participants did in fact receive health screenings. PSA provided an invoice which only listed a total amount billed of \$5,400; the invoice did not include the number of health screenings or the price per screening. AOA took the invoiced amount of \$5,400 and divided it by the budgeted per screen rate of \$9 per person. This equated to only 600 participants receiving health screenings. PSA never provided evidence to support the 1,205 participants reported to DPH.

PSA refers to **HIPPA** in its response; AOA believes PSA meant to refer to **HIPAA** (Health Insurance Portability and Accountability Act). AOA's concern is that PSA did not provide any documentation that supported the number of health screenings and when the screenings were performed.

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<i>Hence, PSA's reference to HIPAA does not address the concerns noted by AOA.</i>	
<b>AOA's Conclusions, Findings, and Recommendations</b>	<b>PSA's Response</b>
Weight Management: No pre and post-test documentation was provided nor was there any documentation provided for the periodic weigh-ins. The Executive Director had stated to the AOA that none of the class time was conducted. However, PSA reported to the Division of Public Health that they had conducted 17 weight management classes for 130 participants.	Please review the supporting information attached showing pre/post weigh-ins results. The weight management program was an in-kind contribution to the UHELP program through Christiana Care's Women to Women Health Program. All the workshops were conducted by Christiana Care staff and they provided all the instructional information. All the data including the pre and post testing was collected by Christiana Care for the program. Enclosed are copies of the data PSA requested from Christiana Care. PSA agreed to perform the activity and did so via collaboration with Christiana Care as reported. It was not a State funded deliverable which is supported by a lack of funds for the activity in the budget.
<i><b>Auditor's Comments:</b> AOA conducted fieldwork from 8/25/08 through 10/31/08. During this time, there were numerous requests for documentation related to U-Help. The Executive Director did not provide any documentation related to Weight Management nor did he inform AOA of a collaboration with Christiana Care. AOA does not accept the copies provided by PSA on 11/25/08 due to the ease with which the handwritten information could be falsified. Furthermore, the documentation provided by PSA on 11/25/08 still does not support the numbers reported to DPH (17 classes with 130 participants).</i>	
<i>Weight management is a deliverable per Contract 08-032 between DPH and PSA; the Contract lists a target of "42 hour of classes a year."</i>	
<b>AOA's Conclusions, Findings, and Recommendations</b>	<b>PSA's Response</b>
Asthma, Arsenic, and Lead Education: No documentation was provided that would support the number of households that were given the education nor were there any pre or post-test surveys. The Executive Director stated to the AOA that this was not done. The data on this program was not reported to the Division of Public Health even though it was a required deliverable per the contract.	There were no funds provided for this activity in the current contracted budget year nor is this activity entered into the scope of service and it is not reported on the CART numbers as set fourth in Exhibit F. This programming deliverable was slated for a previous contract.
<i><b>Auditor's Comments:</b> Contract 08-032, Outcome-Based Evaluation Plan section, lists Asthma, Arsenic and lead Education as an activity with targeted output of reaching 50 Eastside households. Outcome indicators were listed as the number of homes assessed and pre/post surveys.</i>	
<i>PSA's statement that, "there were no funds provided for this activity in the current contracted budget year" is correct; however, PSA failed to</i>	

# APPENDIX A

address the following:

*Contract 08-032 is comprised of 46% salaries and is driven by personnel. The asthma, arsenic, and lead education could have been funded through the salary that the Program Director and the Community Outreach Coordinator received. It could have also been a topic under the other education-associated contract deliverables such as health and environmental education. Because the salary component of the contract is almost half of the entire budget, then logically a separate budgeted expense line item is not always needed.*

*PSA's statement that "this program deliverable was slated for a previous contract" does not explain why the program deliverable was listed on the current contract.*

AOA's Conclusions, Findings, and Recommendations	PSA's Response
Partnerships/Collaborations: AOA was provided with documentation for 16 partners; however, the documentation was not dated. Therefore, the AOA could not determine if this documentation represented new partnerships. Also, no documentation was provided that said what events the new partners participated in.	Partnerships and Collaborations are aspirational goals established by PSA's Executive Director and are items included in the DPH Contract, however, these activities do not require specificity of details concerning dates and times. The partnering can be as far-ranging as an organization's use of the UHELP website to announce health-related activities in the community. From our perspective, we had set a goal for ourselves to further promote our service to the community.
<i><b>Auditor's Comments:</b> DPH and PSA entered into Contract 08-032. The Outcome-Based Evaluation Plan section lists an output goal of 10-15 <u>new</u> organizations throughout the year for the partnerships/collaborations activity. PSA did not maintain documentation to support that partnerships/collaborations were <u>new</u>. Contract 08-032 set forth the goal of <u>new</u> organizations; PSA bears the responsibility to maintain documentation that supports that contract terms were met.</i>	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
Develop youth environmental summer activities: No supporting documentation was provided that supported the number of youth that participated in this program. The Executive Director stated to the AOA that this program was not completed.	The PSA Board firmly recognizes that the AOA never gave the Executive Director a formal interview. We maintain that the budget was amended to exclude funds for this contracted activity, therefore no supporting documentation should be provided. The CART statistical data shows no reporting numbers for this activity. Enclosed is an e-mail from DPH that demonstrates this agreement for the Contract's Budget amendment. We will refer to this justification for all Youth Council deliverables (Life Skills, Youth Beautification Project, Youth Environmental Summer Activities, etc.) as having been stricken from the Contract.

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**Auditor's Comments:** During the period of 8/25/08 through 10/31/08, AOA made numerous requests for documentation related to U-HELP. A State Auditor III and State Auditor II were present during numerous instances when the Executive Director was questioned regarding the U-HELP Grant. In some instances, an Administrative Auditor was present.

DPH and PSA entered into agreement under Contract Number 08-032. Section B, Administrative Requirements #14 states, "This Contract shall not be altered, changed, modified or amended except by written consent of all Parties to the Contract." Page 21 of the contract lists "Develop youth environmental summer activities" as an activity to be performed under the contract. The email provided by PSA to support the removal of the activity states, "Your revised budget for UHELP FY2008 attached is approved, total not to exceed \$50,000". PSA did not provide a copy of the revised budget. The email to PSA was not in accordance with the aforementioned contract provisions and does not support PSA's decision to not provide the activity.

AOA's Conclusions, Findings, and Recommendations	PSA's Response
Environmental Resource Coloring Book: No supporting documentation was provided that supported the number of teachers taught nor were the self-assessments provided to the AOA. The Executive Director stated to the AOA that this component was not completed; however, PSA reported to the Division of Public Health that 6 education sessions were held for 48 teachers/aides.	We understand this contracted activity was erroneously held over from the 2005-2006 UHELP contract. There were no funds provided for this contracted activity in the current contract budget nor is it entered in the scope of services. This activity was also not reported on the CART sheet data as put fourth in Exhibit F. This programming deliverable was slated for a previous contract.

**Auditor's Comments:** Contract 08-032, Outcome-Based Evaluation Plan section, lists "Environmental Resource Coloring Book" as an activity with targeted output of "teach 14 classroom teachers and aides." Outcome indicators were listed as "self assessment" and "# of Classroom completed curriculum."

PSA's statement that, "there were no funds provided for this activity in the current contracted budget year" is correct; however, PSA failed to address the following:

Contract 08-032 is comprised of 46% salaries and is driven by personnel. The Environmental Resource Coloring Book activity could have been funded through the salary that the Program Director and the Community Outreach Coordinator received. It could have also been a topic under the other education-associated contract deliverables such as health and environmental education. Because the salary component of the contract is almost half of the entire budget, then logically a separate budgeted expense line item is not always needed.

PSA's statement that "this program deliverable was slated for a previous contract" does not explain why the program deliverable was listed on the current contract.

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AOA's Conclusions, Findings, and Recommendations	PSA's Response
<p>Overall, the AOA noted that several of the program components were not delivered in accordance with contract terms. In addition, we also noted that the contract amendment executed between the Division of Public Health and PSA was not approved by all parties as required per terms of the original contract.</p>	<p>We respectfully ask AOA (What components and what are the terms you are referring to here)? The UHELP contract was amended in accordance with the requirements by an email notice from the Division of Public Health. The Contracted scope of services is not customarily revised in conjunction with the contract's budgetary revisions. PSA recognizes that DPH, with respect to the amendments did not comply with contractual section B.14.</p>
<p><b>Auditor's Comment:</b> AOA finds it baffling that PSA is asking "What components and . . . terms you are referring to here." As can be seen above, AOA provided details for each program component and PSA responded to each of AOA's conclusions. AOA questions why PSA is asking for information to which it has already responded.</p> <p>DPH and PSA entered into agreement under Contract Number 08-032. Section B, Administrative Requirements #14 states, "This Contract shall not be altered, changed, modified or amended except by written consent of all Parties to the Contract." The email provided by PSA only states, "Your revised budget for UHELP FY2008 attached is approved, total not to exceed \$50,000." PSA did not provide a copy of the revised budget. The email does not support that DPH approved, agreed to, or was even aware of the removal or modification of services detailed in the original contract. PSA did not comply with Contract 08-032 when it failed to provide services as detailed in Contract 08-032.</p>	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
<p>We further noted that PSA did not have appropriate supporting documentation (e.g. invoices and receipts) for four (4) transactions totaling \$145.27. As a result, AOA was unable to determine if disbursements were for the benefit of the U-HELP program.</p>	<p>PSA's Executive Director was not provided with any particularized information with respect to the four transactions in question. We would be happy to provide AOA with the appropriate supporting documentation if AOA provides the Executive Director with the details of the transactions. We believe that the benefit of the disbursements is supported in the above draft response and that all of the deliverables were met.</p>
<p><b>Auditor's Comment:</b> During the period of 8/25/08 through 10/31/08, AOA made numerous requests for documentation related to U-HELP. PSA did not provide the requested documentation during that time. AOA disagrees with PSA's statement that, "the benefit of the disbursements is supported in the above draft response and that all of the deliverables were met." First, disbursements must be supported by an invoice, receipt, etc. Three of the four transactions were credit card purchases. AOA cannot assume that a payment made to the vendor name of "Visa" is valid. Second, as already detailed throughout the report, several of the program components detailed in Contract 08-032 were not delivered.</p>	

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AOA's Conclusions, Findings, and Recommendations	PSA's Response
<p>Through interviews with the Division of Public Health, an audit was performed in January 2008 and was found to be satisfactory. However, the audit report cited that "out of the 25 individual measures, 12 are currently at the 50% or above of being accomplished. The remaining 13 criteria are off the mark, with 10 items at the 0% accomplished level." The audit also states "Health screening participants goal listed was 300, but the contract budget number of participants agreed upon was 1,000." "Sign in sheets with participants names, date and description of program should be on file for all programs delivered." The contract administrator told AOA that PSA could not provide them with documentation that supported the programs just as PSA could not provide AOA with the documentation.</p>	<p>The mid-year program targets were acceptable to DPH. The documentation requirements for this Contracted Activity should be amended because HIPPA laws prevent UHELP from keeping the files. The documentation is kept with the Contract Consultant and is available for review at the Delaware Pharmacy Society.</p>
<p><b>Auditor's Comment:</b> PSA refers to <b>HIPPA</b>; AOA believes PSA meant to refer to <b>HIPAA</b> (Health Insurance Portability and Accountability Act).</p> <p><i>PSA's response does not address the issue noted by AOA: the fact that PSA did not provide support for the number of Health Screenings reported to DPH. Contract 08-032, Budget Narrative, Section I targets 1,000 people at \$9 per health screening for a total budgeted cost of \$9,000. PSA reported 1,205 participants to DPH. AOA requested detail to support that 1,205 participants did in fact receive health screenings. PSA provided an invoice which only listed a total amount billed of \$5,400; the invoice did not include the number of health screenings or the price per screening. AOA took the invoiced amount of \$5,400 and divided it by the budgeted per screen rate of \$9 per person. This equated to only 600 participants receiving health screenings. PSA never provided evidence to support the 1,205 participants reported to DPH.</i></p> <p><i>AOA's concern is that PSA did not provide any documentation that supported the number of health screenings and when the screenings were performed. Hence, PSA's reference to HIPAA does not address the concerns noted by AOA. PSA reported 1,205 participants. AOA questions how PSA came up with this number since PSA cannot even provide a statement from the Delaware Pharmacy Society as to the number of screenings provided.</i></p>	

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AOA's Conclusions, Findings, and Recommendations	PSA's Response
<p>Based on review of invoices, the total paid to Tau Eta Sorority for health screenings was \$5,400. Using the \$9 per screen rate as detailed in the contract, this equates to 600 persons who received health screens. No documentation was provided on who received the screenings, when the screenings were performed, or what type of screen was done. PSA reported to DPH that there were 1,205 health screen participants. There is no supporting documentation to verify 605, or 50%, of the total health screens reported to the Division of Public Health.</p>	<p>PSA's Executive Director was not provided with any particularized information with respect to the transactions in question. We would be happy to provide AOA with the appropriate supporting documentation if AOA provides the Executive Director with the details of the transactions.</p>
<p><b>Auditor's Comment:</b> AOA would like to clarify for the reader that PSA responded to this issue twice. AOA has included both of PSA's responses to this issue to illustrate the inconsistencies in responses and information received from PSA. Both of PSA's responses were in a formal written document hand delivered to AOA on 11/25/08.</p> <p><i>The first response to this issue, as per page 23 of this report, stated, "We agree that PSA reported to the Division of Public Health that there were 1,205 health screen participants. We are very proud that the use of the funds that the State provided for these health screenings resulted in the participation of more than twice the number of citizens than had been expected. We understand that, based on HIPPA laws, the subcontractor is not permitted to divulge names or sign-ins as supporting documentation to PSA (only numbers)."</i></p> <p><i>PSA's second response to this issue states, "PSA's executive director was not provided with any particularized information with respect to the transactions in question. We would be happy to provide AOA with the appropriate supporting documentation if AOA provides the executive director with the details of the transactions."</i></p> <p><i>AOA questions whether PSA is happy to provide the information to AOA or if PSA believes that HIPAA prevents PSA from providing the information."</i></p>	



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AOA's Conclusions, Findings, and Recommendations	PSA's Response
<p>PSA did not provide all of the program components that were required by the contract. Because program objectives were not met, the result is wasteful spending of State of Delaware Tobacco Settlement funds that could have been spent on more effective programs with other vendors/organizations.</p>	<p>We steadfastly disagree that PSA did not provide all of the required programs as demonstrated in the CART data (Exhibit G) and further in Exhibits A, B, C, D, E, F, H and I. We maintain that the program objectives were met and therefore there was no wasteful spending of any of the program funds. This UHELP project has positively impacted and improved the quality of life in the minority community through health education. There is an inestimable value of the contributions from Christiana Care and other volunteers (as a demonstration of partnerships/collaborations services to improve awareness of health and environmental issues among minorities) and in-kind contributions to date. The success of this project is evident in that UHELP has been able to secure 220K from additional funding sources with DPH grants serving as a springboard. UHELP is a model program being replicated in Minnesota. Delegates from Seoul, Korea and South Africa have visited to learn about UHELP with the goal of establishing this project in their respective countries. UHELP recognizes its unique role in being the only program to advocate health issues to low income/minority clients.</p>
<p><i>Auditor's Comments: AOA stands by its statement that PSA did not provide all program components that were required by the Contract. PSA bears the responsibility to meet the contract terms and to maintain and provide proper documentation that supports that contract terms were met.</i></p>	

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Delaware Prevention Network (DPN)	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
PSA did not have support (e.g. invoices and receipts) for 3 transactions totaling \$1,094.76. Hence, AOA was unable to determine if the expenditures were allowable under the grant.	PSA does not have enough information as to when these transactions took place or what year. This information would enable PSA to answer professionally and accurately. This is an accumulation of (3) transactions. In order for PSA to be reimbursed for these transactions all receipts are sent to DSCYF beforehand.
<p><b>Auditor's Comment:</b> During the period of 8/25/08 through 10/31/08, AOA made numerous requests for documentation. PSA did not provide the requested documentation during that time.</p> <p>PSA's statement that, "In order for PSA to be reimbursed for these transactions all receipts are sent to DSCYF beforehand" is false. DSCYF entered into contract with Edgemoor Community Center (ECC). ECC was contracted to be the DPN administrator. In order for PSA to be reimbursed, PSA would submit a payment request to ECC. For the FY08 grant in question, PSA did not submit receipts to DSCYF.</p>	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
PSA was unable to provide required attendance logs and sign-in sheets for education cycles. Hence, AOA is unable to determine if the program objectives were met.	<p>In the DPN "Life Skills program" PSA was not required to keep sign-ins or attendance logs, however all supporting documentation was forwarded to the contract administrator and the following attachment states that PSA successfully completed this program.</p> <p>[Please note that the attachment referred to in PSA's response is not attached to this report.]</p>
<p><b>Auditor's Comment:</b> AOA reviewed the attachment from PSA and determined that the Interim Director only stated that PSA was not required to submit attendance records to ECC. This does not alleviate PSA's responsibility to maintain documentation supporting attendance and proving that program objectives were met. Without such support, PSA cannot prove that program objectives were met. PSA failed to mention that the Interim Director also stated to PSA that, "ECC does encourage each site to take attendance so as to help measure the effectiveness of the program."</p>	

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FACET Program	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
Three transactions totaling \$192 were not supported by a receipt, invoice, etc.	PSA's Executive Director was not provided with any particularized information with respect to the three transactions in question. We would be happy to provide AOA with the appropriate supporting documentation if AOA provides the Executive Director with the details of the transactions.
Three transactions totaling \$211 were not supported by meeting agendas, minutes, attendance sheets, etc.	Given the appropriate reference points (dates, transaction, etc.) the information would be recoverable by our Business Manager/FACET Coordinator.
<i>AOA's Comments: PSA's Executive Director indicated to AOA to contact the FACET Coordinator with questions on the FACET program. AOA provided the FACET coordinator with a list of missing transactions on 9/15/08. The listing detailed the invoice date, vendor name, amount, memo, and the specific information needed by AOA. On 9/22/08, AOA followed up with the FACET Coordinator as to whether the documentation was available. AOA completed the investigation on 10/31/08; as of that date, the information was not provided to AOA.</i>	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
Unemployment compensation, pension, and workmen's compensation were over-billed by \$123.20.	This occurred because the number of hours worked times the hourly rate exceeded the budget amount. Based on the contracted allowable average (sic) of \$250 this is an allowable amount.
<i>AOA's Comments: Per review of the contract, an overage of \$250 is permitted.</i>	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
PSA billed \$500 of telephone charges to the State; however, no support was maintained to substantiate actual telephone costs and the allocation percentage charged to the FACET grant.	The contract allows for \$500 in annual charges related to the phone, internet, email, and voice mail. The Board maintains that because PSA has no separate lines for any dedicated FACET usage this expense is allowable in the contract.
<i>AOA's Comments: AOA agrees that the contract allows for up to \$500 in charges related to internet, email, and voicemail. However, only actual amounts incurred by the FACET program should be charged to the grant (as long as actual amounts do not exceed the allowed budget). PSA did not maintain any documentation to support that FACET's share of PSA's total internet, email, and voicemail totaled \$500. Without support, there is no evidence that \$500 was actually attributable to FACET. Documentation must be maintained to support any amounts charged to the grant.</i>	

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AOA's Conclusions, Findings, and Recommendations	PSA's Response
<p>1. AOA identified a difference in the grant amount and the billed amount of \$1,028. The Executive Director indicated that PSA did not bill the State for this amount. Upon request, DSCYF provided AOA with a bill from PSA for the \$1,028 amount and also informed AOA that PSA was on a corrective action plan for the following reasons:</p> <ul style="list-style-type: none"> <li>a. PSA did not adhere to the Fidelity of the FACET Program.</li> <li>b. PSA's Executive Director made decisions for the parent council, deciding what activities were better for the parents and deciding who could attend activities. These functions were to be performed by the participants.</li> <li>c. PSA did not follow the Contract as it related to the Early Care Center Director, the FACET Coordinator role, parents as decision makers, and use of the Lending Library.</li> <li>d. PSA was operating under a provisional license.</li> <li>e. PSA did not participate in the opportunities offered by FACET to improve the quality of its Early Care Center through training and technical assistance.</li> <li>f. PSA did not inform the Office of Prevention and Early Intervention (OPEI) in the past year in writing or in any other way of the provisional license their Early Care and Education Center had with the Office of Child Care Licensing.</li> <li>g. PSA did not communicate that the previous Coordinator was terminated.</li> </ul> <p>CONTINUED ON THE FOLLOWING PAGE</p>	<p>1. The difference of \$1,028 that was noted by AOA in the grant amount and billed amount is debatable. In order for PSA to get reimbursed correct documentation was sent to DSCYF. Dates would be needed for PSA to determine what it was for. Forthright, PSA and the Executive Director take exception to such indications that PSA did not bill this amount. Also, PSA is unable to ascertain the issue associated with this point made by the AOA. The Board respectfully asks AOA what you are looking for.</p> <ul style="list-style-type: none"> <li>a. Again, PSA is unable to ascertain the issue associated with this point made by AOA. The Board respectfully asks AOA what you are looking for.</li> <li>b. PSA's Executive Director offered opinions and business decisions to the spending of the funds, but never decided on what was best for the parents. PSA's Executive Director did not attend activities nor did he meet with members of the parent council.</li> <li>c. This comment lacks clarity and sufficient information from which PSA can provide an informative response. Parents do use the Lending Library and the present FACET Coordinator is performing contract specifics.</li> <li>d. PSA is unable to ascertain the issue made by the AOA. Nowhere in the contract does it specify a mandated type of license for child care.</li> <li>e. We respectfully ask AOA to clarify what you are looking for.</li> <li>f. PSA's interpretation of the contract did not call for this notification.</li> <li>g. PSA was neither obligated to communicate about the terminated nor at liberty to discuss personnel issues. Please refer to the portion of the contract that states that the coordinator works for and follows all personnel policy set forth</li> </ul>

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	by the Agency.
<p><b>AOA's Comments:</b></p> <p><i>1. For clarification, AOA compared PSA's disbursements detail to the grant award amount. According to PSA's disbursement detail, disbursements totaled \$39,774. The grant award was for \$40,802. This left a difference of \$1,028. AOA inquired of the Executive Director as to the difference of \$1,028; at which time the Executive Director indicated that PSA did not bill for the \$1,028. The Executive Director made an incorrect statement. AOA then contacted the agency that awarded the grant. That agency provided AOA with support where PSA did in fact bill for the \$1,028. The agency also indicated that PSA was under a corrective action plan. AOA is not looking for anything regarding this point. Rather AOA is merely pointing out one of many discrepancies found while performing the investigation.</i></p> <p><i>For points a-g, AOA merely listed the reasons that PSA was placed on a corrective action plan. The Department of Services for Children, Youth, and Their Families (DSCYF) is the awarding agency. DSCYF monitored the grant and identified numerous issues with regards to PSA. Points a-g are verbatim from the Corrective Action Plan that was developed by DSCYF, provided to PSA, and signed by PSA's Executive Director. AOA did not list anything that was not already provided to PSA by DSCYF.</i></p> <p><i>AOA finds it very alarming that PSA is unaware of why it is on a corrective action plan and that PSA is arguing the reasons for which it is on a Corrective Action Plan. Either PSA was too hasty in its response to AOA and responded without taking the time to fully understand the points noted and/or PSA has no intentions of taking appropriate steps to meet the requirements of the Corrective Action Plan. Both are disturbing and call into question PSA's ability to administer the grant.</i></p>	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
As a result of the above findings, DSCYF placed PSA on a corrective action plan, extended the FY08 grant period from June 30, 2008 to December 31, 2008, and increased the grant funding from \$40,802 to \$55,606. DSCYF plans to reevaluate PSA at the end of the grant period to determine if funding should be continued.	This comment lacks clarity and sufficient information from which PSA can provide an informative response.
<p><b>AOA's Comments:</b> <i>The conclusion made by AOA merely summarized the fact that due to the number and significance of the findings identified by DSCYF, PSA was placed on a corrective action plan, the grant period was extended, grant funding was increased through the extended grant period, and PSA will be reevaluated at the end of the extended grant period. AOA did not ask any question of PSA or indicate any need for PSA to respond. AOA merely made a statement regarding the facts surrounding the FACET grant. If PSA had taken the time to read the conclusion section of the report in its entirety rather than choosing to blindly argue every statement made, then PSA would have been able to make a more informed response.</i></p>	

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*PSA's response to this report was dated 11/25/08. AOA finds it very troubling that PSA does not understand and is arguing the points made in the corrective action plan when, as of the date of its response, had little more than one month to correct the very issues set forth in the corrective action plan. AOA questions how PSA plans to rectify the issues noted in the corrective action plan by 12/31/08 if on 11/25/08 it is arguing the points made in the corrective action plan.*

AOA's Conclusions, Findings, and Recommendations	PSA's Response
PSA's Executive Director did not inform AOA of the findings in the monitoring report, the corrective action plan, the grant extension, or the increase in funding for the FY08 grant.	PSA's Executive Director was never formally interviewed with regard to FACET. The contract originally ended in June 2008. Two extensions were granted. PSA was placed on a non-compliance plan dated 10/10/2008, signed by the State and Executive Director. When AOA began the audit in 8/2008, there was no non-compliance plan. The second extension was granted in August with an increase in funds for four months.

***AOA's Comments:** AOA held many discussions with the Executive Director regarding the various State grants received by PSA. AOA staff present at these meetings included a State Auditor III, a State Auditor II, and on several instances an Administrative Auditor. AOA conducted its investigation from 8/25/08 through 10/31/08. During this time, the Executive Director was not forthcoming with information regarding issues surrounding the FACET grant. While the corrective action plan was not signed until 10/10/08, the following dates show that the Executive Director was aware of the issues prior to 10/10/08:*

*As early as October 2007, the Executive Director was notified by DSCYF by phone and by letter regarding concerns with the FACET program. The Executive Director was notified by phone on 6/30/08 of DSCYF's intent to not renew the FACET contract. On 7/10/08, the Executive Director was notified by letter of DSCYF's intent not to renew the FACET contract; the reasons for the discontinuance were outlined in the letter. On 9/23/08, DSCYF met with the Executive Director regarding the corrective action plan. On 9/29/08, DSCYF emailed the Executive Director as a follow-up to the meeting on 9/23/08. On 10/2/08, DSCYF emailed the Executive Director regarding the need for him to sign the corrective action plan. On 10/10/08, the Executive Director signed the corrective action plan.*

AOA's Conclusions, Findings, and Recommendations	PSA's Response
Weak controls, including a lack of management approval and review, contributed to the lack of supported transactions. The Executive Director's lack of knowledge and/or willing intent to withhold information resulted in discrepancies in the information presented.	The entire organization takes exception to the stated lack of knowledge and willing intent to withhold information. In fact, it was the Executive Director who provided AOA with keys to the business office, computer pass codes to our financial system and other accommodations. PSA did in fact maintain adequate and detailed support for AOA and will further provide details to AOA.

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**AOA's Comments:** As can be seen by PSA's various responses to the FACET conclusions and findings, PSA has a lack of understanding regarding the corrective action plan and the information that is maintained in its financial system. The documentation that was missing would not have been stored in the financial system. The missing documentation noted by AOA was requested from PSA yet never provided. No further detail regarding the transactions in question will be accepted by AOA due to the length of the time between the initial request and the current date due to the chance of falsification of records. AOA questions if PSA did in fact maintain adequate and detailed support, why PSA was unable to provide that documentation during the time that AOA was in the field (from 8/25/08 through 10/31/08).

AOA's Conclusions, Findings, and Recommendations	PSA's Response
PSA should require adequate, detailed support for all transactions; implement a management approval and review process; and comply with grant stipulations. If the recommendations are not implemented, and if subsequent monitoring reports indicated continued noncompliance with grant stipulations, the State should consider discontinuing funding to PSA.	To clarify, with respect to the need of PSA to implement a management and review process, PSA welcomes this insight. We believe that PSA is in full compliance with its obligation pursuant to grants. PSA's Board adamantly disagrees with the recommendation to "discontinue funding," based on the level of return of the services that PSA provides to this community.

**AOA's Comments:** AOA maintains that if PSA was in compliance with its obligation pursuant to grants, that it would not be on a corrective action plan. AOA further maintains that without proper documentation, PSA cannot prove that grant requirements were met. AOA cannot assume that grant requirements are met without proper documentation and support. PSA bears the responsibility to prove that all grant requirements are met in order to continue receipt of State grant funds. AOA stands by its recommendation.

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Clinical Services Grant-In-Aid	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
PSA documents services provided to the community through an intake process. Intakes are completed manually on an intake form or electronically through Point of Service, a web based program. Per the Executive Director, some of the intake forms were entered into Point of Service, while others were not entered. The two systems do not provide a standard mechanism for accurately tracking the clients served. In addition, the systems only provide documentation of clients that are seen. Neither the handwritten nor electronic forms provide documentation to support what services were provided to the clients.	As stated in the audit PSA does use two (2) different methods, one online system Delaware Homeless Information System (DE-HMIS) referred to in the report as Point to Point and the second is manually. PSA personnel has found that the electronic intakes could not be done in a timely manner, so hand copies are still produced and later recorded in the HMIS.
<b>Auditor's Comment:</b> As already noted by AOA, the two systems do not allow for a standard mechanism for accurately tracking the clients served. The two systems do not allow for an accurate, timely tracking of program specifics such as the number of people served. In order to come up with program totals, PSA must determine which handwritten forms were entered, which forms were not entered, and then add relevant numbers from the forms which were not entered to the numbers per the web based program.	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
PSA does not have written policies and procedures in place to ensure intakes are processed correctly and efficiently or to ensure eligibility of clients. The Executive Director indicated that employees inquire of other staff as to eligibility and other program requirements. There is no standard operating manual or policy to ensure consistency in providing services to clients and to ensure that program and eligibility requirements are met.	Over the years, PSA has worked with other service providers to develop a universal system for operating/requirements and recognizes the need for one. Yet to date issues surrounding confidentiality [sic], HIPPA, and other legality issues have not been resolved when sharing client's files. PSA like all service providers follow Federal Income Levels for poverty for eligibility purposes.
<b>Auditor's Comment:</b> PSA refers to <b>HIPPA</b> ;AOA believes PSA meant to refer to <b>HIPAA</b> (Health Insurance Portability and Accountability Act). AOA's conclusion refers only to PSA; it does not address any other service provider or the sharing of information between service providers. AOA's conclusion does not have any impact on confidentiality, HIPAA, or legal issues other than to the extent that written policies/procedures would help ensure compliance with confidentiality and HIPAA requirements.	
AOA's conclusion is directed to PSA due to PSA's lack of standard, written policies/procedures and/or a reference manual. Staff of PSA do not have a standard reference manual or guide to refer to with basic questions. Staff inquire of each other as to processes and eligibility requirements. The lack of a standard reference guide can lead to (a) inconsistency in the treatment of clients,(b) inconsistency in the intake	



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<i>process and application of eligibility requirements, (c) a loss of time when staff are interrupted with questions which should be addressed in a standard reference manual, and (d) loss of institutional knowledge when there is turnover in staff.</i>	
<b>AOA's Conclusions, Findings, and Recommendations</b>	<b>PSA's Response</b>
AOA determined there was inconsistent documentation to substantiate clients' eligibility. In some instances, there was documentation regarding proof of income, public assistance, and/or residence; however, in other instances there was no documentation regarding eligibility.	Staff may elect to collect proof of income in the form of a copy or visually review their public assistance cards. During referrals or if they were not serviced this information would not be necessary.
<b><i>Auditor's Comment:</i></b> Due to the previously mentioned lack of standard policies and procedures and PSA's decision to leave documentation to the discretion of staff, there is no standard mechanism to prove PSA verified eligibility requirements. It is not proper that, based on staff's discretion, copies are maintained for some clients and only a visual review is required for other clients. Due to a lack of (a) a standard checklist, (b) written policies/procedures, and (c) documentation of verification of eligibility requirements in client files, PSA has no documented evidence that eligibility requirements were verified, met, and consistently applied.	
<b>AOA's Conclusions, Findings, and Recommendations</b>	<b>PSA's Response</b>
PSA provides the use of its facility for Narcotics Anonymous meetings that are held every Sunday at 12 p.m. PSA was unable to provide documentation supporting the number of individuals served at these meetings.	Narcotics Anonymous is an anonymous fellowship, so that addicts who seek recovery at PSA may be confident that their anonymity will be protected. Because of this, the program can not require individuals attending our meetings to sign in/out or reveal their name. HIPPA laws of confidentiality do not permit disclosure of names in any form. A notice of this is included from the public information chair of this region.
<b><i>Auditor's Comment:</i></b> PSA refers to <b>HIPPA</b> , AOA believes PSA meant to refer to <b>HIPAA</b> (Health Insurance Portability and Accountability Act).	
At no point did AOA mention in its conclusions, findings, or recommendations that names or sign-in sheets be provided for the Narcotics Anonymous meetings. AOA only noted that there was no documentation of the number of individuals served at the meetings. Hence, PSA's response regarding HIPAA and confidentiality do not address AOA's conclusion. Furthermore, HIPAA does not prevent a Narcotics Anonymous program with assigning identifying numbers to participants served as long as the identifying number does not consist of or contain numbers which could be used to identify a patient with reasonable accuracy and speed from sources external to the program.	
If there is no tracking of the number of people served, then it is virtually impossible to know (a) if the Narcotics Anonymous program is meeting the targeted number of people, (b) which times/locations best serve the public's needs, and (c) if the program is operating more or less effectively	

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<i>as compared from one year to the next.</i>	
AOA's Conclusions, Findings, and Recommendations	PSA's Response
<p>As part of the grant application, PSA is required to submit its most recent audit or self-prepared financials annually. AOA noted PSA's most recent audit was completed for the year ending December 2006. Per the Executive Director, the CPA firm was waiting to start its audit work until AOA completed this investigation. However, upon discussion with the CPA firm and per review of PSA's accounts payable listing, AOA discovered that PSA has not paid the CPA firm for the 2006 audit. Hence, the CPA firm will not perform any additional auditing services until the 2006 audit fee has been paid in full. The outstanding amount due to the CPA firm for the 2006 audit is \$11,940.27 (source: PSA general ledger trial balance, run as of September 23, 2008).</p>	<p>Executive Director never made the above statement and this should be removed from the audit. The statement for the record "was PSA would have an audit after AOA was finished." However, the Board was and is currently seeking pricing on a 2007-2008 external audit and as a cost-saving measure the board is exploring bi-annual audits. The Board also recognizes an outstanding balance with [CPA firm], which has historically been paid in installment payments.</p>
<p><b>Auditor's Comment:</b> <i>In August 2008, AOA staff inquired of the Executive Director as to when PSA's CPA firm would be conducting PSA's annual audit. AOA staff noted that the last audit was for year ending 12/31/06; AOA was expecting that an audit would be in process or wrapping up for year ending 12/31/07. The Executive Director indicated that the CPA firm would start its audit after AOA completed its investigation. The 12/31/06 audit was completed on 8/23/07 for an audit fee of \$16,500. As of 10/31/08, PSA's accounts payable detail listed a balance of \$11,940.27. The most recent payment received by the CPA was in August 2008; payments were not made in accordance with the engagement terms.</i></p> <p><i>Lack of payment to the CPA firm raises concerns with PSA's ability to meet operating costs, its ability to operate within its means, and its professionalism with meeting financial obligations for services received. The fact that PSA is seeking pricing for a 2007-2008 audit without having paid for its 12/31/06 audit is a concerning issue and shows PSA's lack of knowledge regarding auditing standards. Under AICPA Ethics Ruling, ET Section 191.52, the CPA firm that conducted the 12/31/06 audit cannot perform a subsequent audit unless all previous audit fees have been paid in full. In addition, under Statement on Auditing Standards No. 84, a successor auditor should make specific and reasonable inquiries of the predecessor auditor, including information that may bear on the integrity of management and the predecessor's understanding as to the reason for the change in auditors. With these standards in place, it would be difficult for PSA to obtain an external audit without first meeting its obligation to the initial CPA firm.</i></p>	

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AOA's Conclusions, Findings, and Recommendations	PSA's Response
<p>Per review of the FY08 and FY09 Grant-In-Aid applications, AOA found discrepancies in the numbers reported (e.g. numbers did not agree from one year to the next). In addition, the Executive Director was unable to provide support for the number of people served as reported in the FY09 application.</p>	<p>Because the confidentiality of this program our numbers reflect projections rather than actual because logs are not permitted with NA [Narcotics Anonymous] and if PSA attempted to create logs we would be in violation of HIPPA laws.</p>
<p><b>Auditor's Comment:</b> PSA refers to <b>HIPPA</b>;AOA believes PSA meant to refer to <b>HIPAA</b> (Health Insurance Portability and Accountability Act).</p> <p><i>PSA failed to address why the numbers did not agree from one year to the next. As can be seen on page 11 of this report, there were inconsistencies in reports such as the number of people served, program revenue, program disbursements, and program Grant-In-Aid. PSA was unable to provide any support for how it developed the numbers in the report. Regardless of whether numbers were projected or actual, PSA should be able to provide support/detail for any numbers in reports as well as provide explanations for inconsistencies in reported numbers. Without such support/detail, it is impossible to tell the validity of numbers or if numbers were just made up in hopes of appeasing the State's reporting requirements.</i></p> <p><i>While HIPAA laws would prevent disclosure of names of individuals in the NA program, it would not prevent the assignment of a number to each individual as long as that number does not consist of, or contain numbers which could be used to identify a patient with reasonable accuracy and speed from sources external to the program. AOA's conclusion cites neither the participants' names nor identifying numbers. Rather, AOA cites the fact that PSA did not have a mechanism in place to track or support the number of individuals served by the program. The number of individuals served by the program is statistical data that should be monitored.</i></p> <p><i>Finally, NA is only one of several programs offered under Clinical Services Grant-In-Aid; PSA's response only refers to the NA program.</i></p>	

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## **PSA concluded its 11/25/08 response to the report with the following:**

What we found for the most part, were inabilities on the Audit of Accounts' part to have gained insight into what exactly the UHELP project is delivering to the community. When it comes to so many of the state-funded programs in addiction-related or health-related services, PSA does not and cannot keep information on file because of HIPPA laws.

Almost all of the "missing" documentation is 'managed' by external consultants or State Departments relating to the grants, from sign-in sheets to personal records to data bases. We recognize the records must be handled confidentially or not at all by PSA staff. The Executive Director was cooperative and had made himself fully available to the AOA with any assistance needed. The AOA was provided with open access and keys to the business office; all paper and virtual records and access to the computers' financial software from which the AOA could review or download accounts. Thus, the Board strongly felt that all statements in the audit draft that describe a willful intent to deceive on the part of the Executive Director should be stricken from this report.

As borne out by previous statements made for the record to the AOA by a majority of the Board, the AOA's decision to disseminate the draft report electronically did result in exposing the agency to harmful and unwarranted publicity. It is undisputable the assault on PSA's good name is being fostered by the same individuals who admittedly instigated the allegations to AOA and the AG. As noted, several individuals read damaging portions of this confidential draft report over media outlets as well as distributed mass copies of the documents. This made it very difficult for the Board to continue to further the mission of the Agency and serve the Community, while defending the audit draft and the conclusions by critics.

### ***Auditor's Comment:***

*As can be seen by the auditor's comments throughout Appendix A, PSA's response does not address the issues found by AOA during the course of the investigation. If anything, PSA's response causes more concern regarding PSA's ability to administer any State grants.*

**HIPAA** is not a valid defense for PSA not being able to substantiate reported numbers and results. This is detailed throughout Appendix A.

*As for PSA's comment regarding missing documentation and documentation managed by external consultants, AOA's conclusions were based on inconsistencies in the documentation maintained by PSA and/or lack of any documentation to support numbers reported to the State. If PSA reports numbers to the State, then PSA is responsible for providing support to back up those numbers. If PSA obtains the information from an outside source, then a copy of correspondence from that outside source should be maintained by PSA to substantiate the numbers in the report. These are basic principles and best practices that were not adhered to by PSA and that PSA has yet to grasp as denoted by its alarming response to this report.*

*The financial system referred to by PSA is Quickbooks. Quickbooks is merely an accounting package that was used by PSA to track disbursements and revenues. It would not provide support for the number of people served, whether actual or projected. It was not AOA's responsibility to search through boxes and try to accumulate support for numbers in reports that were developed by PSA. Rather, when AOA*

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*requested the support, it was, and still is, PSA's responsibility to provide AOA with the documentation for those numbers.*

*AOA distributed copies of the draft report to members of PSA's Board and the Investigative Unit of the State of Delaware's Attorneys General Office (AG's Office). The AG's Office is privy to the information as it is conducting a joint-effort investigation with AOA. The AG's use of the draft report is limited to its investigation. If copies of the draft report were distributed, then it is PSA's own Board members which distributed the draft report. PSA's Board dynamics are not a responsibility of AOA. Rather it is AOA's responsibility to provide a copy of the draft report to each Board member. PSA should address its concerns with the distribution of the report within its own organization and Board.*